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DOCUMENTS, REPORTS, AND LEGISLATION

Industries and Commerce

VALUATION AND DEPLETION OF OIL LANDS. The Bureau of Mines, Department of the Interior, has recently issued Bulletin 177 entitled, *The Decline and Ultimate Production of Oil Wells, with Notes on the Valuation of Oil Properties*, by Carl H. Beal. This paper consists of 215 pages, is well indexed, and contains much material of an economic character, in addition to some which will be of special interest only to those familiar with the technical aspects of the oil industry. To be noted especially is the exhaustive study made of the use of appraisal curves for the valuation of oil lands. Petroleum engineers who have not secured a fundamental knowledge of the principles of valuation will welcome this treatise. Moreover, the period of richest productivity of oil being past, it is becoming more necessary for investors in oil lands to base their calculations upon scientific methods of determining present values, which are, of course, dependent upon future productivity, in any given instance. The bulletin is roughly divided into two parts. The first part treats of methods of estimating the future and ultimate production of oil properties and of the application of these methods to oil land valuation. The second part gives specific information regarding the decline and ultimate production of important oil fields in the United States.

Of especial interest to the economist are the notes on the valuation of oil lands (pp. 80-103). These deal, first, with the general principles of oil land appraisal and, second, with the methods of computing depletion for purposes of taxation. The determination of the present value of an oil property involves a rather complicated series of calculations, which, furthermore, are affected by the element of uncertainty which is always present to a greater or less degree. In general, the question is one which involves the determination of the present value of deferred profits for a period of years. Future net receipts are controlled by (1) future annual production, (2) future cost of development, (3) future cost of production, (4) future price of oil, (5) rate of amortization of capital, and (6) salvage value of equipment. The bearing of these factors upon the question of valuation is carefully considered. The problem may be stated briefly thus: "The purchase value of a property is the sum that will be paid back with interest to the investor before the oil is exhausted, and it is governed by all the conditions that control oil production." In other words,

present value is the present worth of deferred receipts. A purchaser of oil lands expects that his capital will be returned together with interest thereon commensurate with the risk involved.

The development of the principles followed by the Treasury Department in taxing incomes derived from investments in oil lands is described fully. The method first adopted made the reduction in flow of one year as compared with the flow of the preceding year the basis of the deduction for depletion. The fallacy involved in this procedure becomes evident when we consider the possibility of an *increased* flow in a property undergoing development. Now, however, if the probable recovery of oil can be estimated, the deduction permitted is such a percentage of invested capital as the year's production is of the probable ultimate production.

EARL A. SALIERS.

Yale University.

THE INDUSTRIAL COMMISSION OF NORTH DAKOTA. The source of authority or the controlling machinery in the experiment in state ownership, or what is termed "the new day," in North Dakota is found in the Industrial Commission created by the North Dakota Legislative Assembly of 1919 and ratified by a referendum vote of the state in June, 1919. The commission is composed of the governor, the attorney general, and the commissioner of agriculture and labor of the state of North Dakota. Two members constitute a quorum for the transaction of business, but the governor's approval of all orders, rules, regulations, by-laws, and written contracts, adopted or authorized by the commission, is necessary, and such acts are not in force unless approved and signed by him. The governor is thus the hinge on which the work of the commission turns.

The Industrial Commission thus created is empowered and directed to manage, operate, control, and govern all utilities, industries, enterprises, and business projects, now or hereafter established, owned, undertaken, administered, or operated by the state of North Dakota, except those carried on in penal, charitable, or educational institutions. To that end the act creating the commission gives it power, in the exercise of its sound judgment, and directs it to determine the location of such utilities, industries, enterprises, and business projects, and to acquire necessary properties by purchase, lease, or exercise of the right of eminent domain. The power of buying, selling, altering, changing, and promotion is thus placed in the hands of the commission, which is given a blanket power to engage in any kind of business.

The funds for the creation of these enterprises are to come from the sale of state bonds in such amounts and in such manner as may be provided by law. Another act has provided for the issuance of bonds of the state of North Dakota to be known as "bonds of North Dakota mill and elevator series." To this must be added the appropriation out of the general fund of the state of \$200,000, or so much thereof as may be necessary to carry out the act creating the Industrial Commission. Provision is made for accumulating a fund to repay this appropriation from the general funds of the state by directing the commission to fix rates and charges with that end in view. To this must be added the power of the Bank of North Dakota to transfer funds to other departments, institutions, utilities, enterprises, and all industries of the state. The bank itself is under the supervision of the commission.

The Industrial Commission has, also, power to appoint managers and subordinates for all business enterprises entered into and to remove and discharge any and all persons thus appointed.

Under the power granted the Industrial Commission a flour mill has been established at Drake and several lignite coal mines are being operated. A mammoth terminal elevator and flour mill is planned and several places are competing for its location. A citizen of Grand Forks has offered a free site if the elevator and mill is located there. It is said that some who do not have much faith in the economic soundness of state ownership and direction reason that their own city ought to have the benefit of such an enterprise if one is to be established. The success of this whole plan depends, of course, upon efficiency of management and fidelity to sound business principles on the part of men chosen to direct the various state enterprises.

GEORGE M. JANES.

The federal Bureau of Foreign and Domestic Commerce has issued:

Special Agents Series:

No. 182, *The Lumber Market in Italy and Reconstruction Requirements*, by N. C. Brown (Washington, 1919, pp. 184).

No. 183, *Furniture Markets of Argentina, Uruguay, Paraguay, and Brazil*, by H. E. Everley (pp. 130).

No. 184, *Electrical Goods in Argentina, Uruguay, and Brazil*, by P. S. Smith (pp. 133).

Miscellaneous Series:

No. 97, *Training for Foreign Trade*, by R. S. MacElwee and F. G.

Nichols (pp. 195). This pamphlet is of unusual value to the student. It contains outlines of courses relating to sales practice, foreign-trade paper work, commodities of world commerce, foreign correspondence, packing for export, foreign advertising, foreign exchange, ocean transportation, ports and terminal facilities, history of commerce, consular procedure, tariffs and commercial treaties, export combinations and the Webb law. With each outline there is a brief bibliography. A second part of the volume deals with outlines and bibliographies relating to different foreign countries.

The Tariff Commission has published in Tariff Information Series No. 10, *Cotton Venetians: Import Trade and Domestic Production* (pp. 83); also *Information concerning Dumping and Unfair Foreign Competition in the United States and Canada's Anti-Dumping Law* (pp. 45). They were prepared for the use of the House Committee on Ways and Means (Washington, 1919, pp. 45).

The *Third Annual Report of the United States Tariff Commission*, 1919 (pp. 64) contains lists of the unprinted studies of commodities which have been prepared by the commission.

The Information and Education Service of the United States Department of Labor has brought together in *Economics of the Construction Industry* the results of an investigation covering several months in the early part of 1919. There are chapters on: Cost and supply of construction materials; Labor and wages in the construction industry; Sources and supply of capital; Rents and land values; and a bibliography of some ten pages. The volume also contains an article by Professor Irving Fisher on The new price revolution.

The *Annual Report of the Director of the Bureau of Foreign and Domestic Commerce, 1919* (Washington, pp. 82) refers to an investigation of the financial situation in England which is being made for the bureau by Mr. H. F. Grady.

The United States Department of Agriculture has published Bulletin 798, *A Survey of the Fertilizer Industry*, by E. A. Goldenweiser (pp. 29), which contains maps of the United States illustrating location of plants and volume of production, also a bibliography; and Bulletin 806, *Peaches: Production Estimates and Important Commercial Districts and Varieties*, by H. P. Gould and Frank Andrews (1919, pp. 35).

The United States Geological Survey is issuing advance parts of the *Mineral Resources of the United States in 1917*. There have appeared *Natural Gas and Natural-Gas Gasoline in 1917*, by J. D. Northrup; *Coke and By-Products in 1916 and 1917* (pp. 64), by C. E. Leshner and W. T. Thom; *Coal in 1917, Part B, Distribution and Consumption* (pp. 57).

A considerable amount of first-hand material is to be found in the hearings before the House Committee on Agriculture on *Cold-Storage Legislation*. This contains a compilation of state laws relating to cold storage and reports of the United States Food Administration for 1918. The hearings were held August 11-26, 1919, and appear in eleven parts (Washington, 1919, pp. 909).

The Federal Trade Commission, in its series of Cost Reports has issued one on *Copper* (June 30, 1919, pp. 26).

To the data with regard to government control of the meat-packing industry already referred to in the REVIEW (June, p. 390; Sept., p. 880, 1919) may be added the hearings before the Committee on Agriculture and Forestry, United States Senate, on bill 5305 *To Stimulate the Production, Sale and Distribution of Live Stock and Live-Stock Products*, which is published in two parts (pp. 2,108).

A Committee on Statistics and Standards of the Chamber of Commerce of the United States of America has for some years been making a serious attempt to analyze the relation of business and weather, with particular reference to the distribution of rainfall and temperature. Obvious examples of the influence of weather are as follows: Fewer refrigerators are sold in a wet and cold summer. If the temperature be high, the demand for electric fans is greater; so too in the Corn Belt for knives.

In its more recent report, *The Relation of Weather and Business in regard to Temperature* (pp. 12) issued November 7, 1919, it is stated that weather charts show that meteorologic causes which produce extremes of heat and cold in any one season cause their persistence and recurrence in the same season; that, in the main, cold winters are followed by cool summers; that a succession of two hot summers is likely to be followed by a flock of from three to four summers of more moderate temperatures; and that cold winters are associated in groups, three or four following each other. Manufacturers and distributors are advised to bear in mind the foregoing weather principles in planning business campaigns.

The National Society for Vocational Education (140 West 42d St., New York) has issued a series of bulletins: No. 29, *Commercial Education*; No. 30, *Industrial Education*; No. 31, *Agricultural Education*.

The United States Council of National Defense, under date of May 1, 1919, has prepared a pamphlet on *Readjustment and Reconstruction Information*, devoted to activities in foreign countries (Washington, pp. 188).

Corporations

The Equitable Trust Company of New York has prepared *Analyses of the Esch and Cummins Railroad Bills* giving the essential points in parallel columns.

The Guaranty Trust Company of New York has prepared a bulletin under date of October 28, 1919, on *New Railways in Foreign Countries*.

Labor

The federal Bureau of Labor Statistics has published the following bulletins:

- No. 251, *Preventable Death in Cotton Manufacturing Industry*, by A. R. Perry (Washington, October, 1919, pp. 534).
No. 252, *Wages and Hours of Labor in the Slaughtering and Meat-Packing Industry, 1917* (August, 1919, pp. 1,114).
No. 261, *Wages and Hours of Labor in Woolen and Worsted Goods Manufacturing, 1918* (pp. 93).

The hearings before the Senate Committee on Education and Labor relating to the *Investigation of Strike in Steel Industries* appear in two parts (Washington, 1919, pp. 1,051). These hearings were held during the months of September and October, 1919.

This committee has also submitted its report on *Investigating Strike in the Steel Industry* (Report No. 289, 66 Cong., 1 Sess.).

A *Preliminary Statement of the Industrial Conference* called by the President has been printed (Washington, 1919, pp. 12).

Miss Laura A. Thompson, of the United States Department of Labor Library, has prepared nine pages of mimeographed sheets giving references to recent literature on *Collective Bargaining*.

The California State Library has compiled *Labor Laws of California* (San Francisco, 1919, pp. 261).

There has also been compiled *Labor Laws of Minnesota* (Department of Labor and Industries, St. Paul, pp. 184).

Bulletin No. 128 of the Bureau of Statistics of Massachusetts contains the *Ninth Annual Report on Union Scale of Wages and Hours of Labor in Massachusetts*, 1918 (Boston, Oct. 1, 1919, pp. 1410).

Among recent labor reports which have been received are:

Annual Report of the Industrial Commission of New York for year ending June 30, 1918 (Albany, 1919, pp. 261).

Thirty-sixth Annual Report of the Department of Labor of Michigan (Lansing, 1919, pp. 766).

The Twenty-second Annual Report of the Bureau of Labor and Statistics of Virginia (Richmond, 1919, pp. 48).

Biennial Report of the Bureau of Labor of West Virginia, 1917-1918 (pp. 99).

General Report of the Minister of Public Works and Labour of the Province of Quebec for the year ending June 30, 1919 (Quebec, pp. 200).

Money, Prices, Credit, and Banking

The War Industries Board has issued a long series of Price Bulletins, prepared under the supervision of Wesley C. Mitchell. No. 1 is *History of Prices during the War* (pp. 95). Other bulletins deal with a great variety of commodities among which may be mentioned a few of the most important: tea and coffee, dyestuffs, rubber, paper, iron and steel, coal and coke, petroleum, lumber, wool and wool products, hides and skins, cotton, prices of foods, clothing, building materials, feed and forage, wheat and wheat products, corn and corn products, sugar.

The hearings before the Committee on Banking and Currency, United States Senate, on *The Nomination of John Skelton Williams* have been printed (Washington, 1919, pp. 1,058). Considerable evidence deals with the handling of government deposits in different banks.

The Comptroller of the Currency has issued some charts on *Net Earnings of the National Banks of the United States 1874-1919; Reduction in Failures of National Banks, 1874-1919; Growth of Resources, Deposits, Capital Surplus, and Undivided Profits since 1914 compared with Preceding Forty Years*.

The Postmaster General, under date of December 1, 1919, has transmitted a letter to the House of Representatives on *Operations of the Postal Savings System* (Washington, pp. 44).

The Annual Report of the Director of the Mint for 1919 (Washington, pp. 300) contains statistics relating to the production of precious metals during 1918.

The United States Council of National Defense has published an *Analysis of the High Cost of Living Problem*, submitted by Grosvenor B. Clarkson (Washington, Aug., 1919, pp. 23).

The subject of the *High Cost of Living in the District of Columbia* (Washington, 1919, pp. 990) contains a considerable amount of statistical material relating to prices. These hearings have been summarized in a *Summary and Review* (pp. 32).

The subject of the cost of living has also been taken up by the House Committee on Agriculture in two parts covering hearings on *Amendments Proposed to the Food Control Act* (Washington, 1919, pp. 92).

The *Annual Report of the Commissioner of Banking of New Jersey for 1918* (pp. 38) has been received.

Public Finance

OHIO TAX REPORT. Ohio's tax problems have long been of wide general interest and have been treated officially in a series of excellent reports. The one under review (*Report of the Special Joint Taxation Committee of the Eighty-third Ohio General Assembly*, Columbus, 1919, pp. 165) does indeed bear witness to necessary haste in its preparation, but its grasp of essential problems is sure and its sense of the political situation to be met seems to be good. The report was mainly written by the economic advisor of the committee, Professor H. L. Lutz of Oberlin College, who has also contributed an appendix on the Operation of State Income Taxes.

Almost as much interest attaches to the introductory chapters as to the recommendations of the report. In a chapter on the financial situation the conclusion is reached that the present system of providing the state's revenues from certain segregated sources is breaking down and that adequate provision for schools, health supervision, and road construction would add the last straw. As matters stand, an annual deficit of from \$1,000,000 to \$4,000,000 in the general revenue fund is expected. The committee is not inclined to give credence to the oft-repeated charges that local government in Ohio is unwarrantably extravagant. Instead, it concludes that the recent growth of expenditures has been in the main inevitable and it believes that the tax rate limit laws have not permitted the proper conduct of local governmental activities. With respect to schools, the heartening statement is made that "there must be for all school districts a greater recognition of the state's obligation for the proper support of education." In comment-

ing on the rapid growth of local debt the committee says: "We have pursued a policy of comparative indifference to the rate of debt creation but of rigid restriction upon the ability of a community to pay off its debts." In view of the great popularity of the Smith tax rate limit law the committee is courageous as well as correct in holding its rigid limitations partially responsible for the recent growth of local debts. But the committee does not venture to propose any serious modification of those limitations.

In any proposal for adjustment of the Ohio revenue system to meet the financial situation thus set forth, the general property tax must be accepted as the head of the corner. The overwhelming defeat of the proposed classification amendment last fall made that abundantly clear. For this reason and because the revenue sources heretofore segregated to the state are believed to be wanting in both adequacy and elasticity, the committee turns to a state levy of 1.7 mills on general property in its search for means for relief of the schools. Together with a local tuition levy of 1 mill and authorization of a special levy not exceeding 2 mills outside the 15 mill limit, the relief afforded should be reasonably adequate. Similar relief is not afforded the universities, which under the legislation proposed must hereafter look exclusively to the general fund in lieu of the present millage tax supplemented from the general fund.

The committee proposes to replenish both state and local highway funds by means of progressive license fees for motor vehicles. The general state fund will be fed from the state's half of the new inheritance tax, which applies to direct as well as collateral heirs at progressive rates. There is also proposed a new individual income tax which is estimated to yield \$8,000,000, of which one fourth would accrue to the state. Since this tax cannot under the constitution be a substitute for the general property tax, but is levied in addition to it, the rates proposed are low—1 per cent on the first \$4,000 above the personal exemption and 2 per cent on any remainder. The possible advantages of this additional levy as a differential tax do not appear to have been considered by the committee. The proposed measure is similar to the New York income tax law but would apply to residents only and would not tax stock dividends nor appreciation of capital assets covering more than three years (except when reported on an inventory basis). In case of realization of appreciation, the income would be deemed to have accrued uniformly throughout the period covered and would be taxed at rates applicable to those years.¹

¹ The income tax bill has failed of passage in the legislature.

The committee also recommends a somewhat elaborate constitutional amendment concerning the limitation of local debts, although it concludes that it is not now feasible to establish the right sort of administrative control. Under the amendment the maturity of the debt would be limited to the probable life of the improvement but not exceeding 40 years, nor 8 years in the case of emergency debts. The net general debt, excluding special assessment bonds, bonds issued for self-sustaining public utilities, and certain emergency bonds, would be limited to a percentage of the assessed valuation of real estate varying from 1½ per cent in the case of townships to 4½ per cent in the case of municipal corporations. It is impossible to foretell how these limits would work out. In some cases they would permit further debt increase. In others, special provisions made to secure elasticity would have to be availed of at once. But in their simplification of the present restrictions and exceptions, the proposed limitations are wholly commendable.

The most important omission in the recommendations concerns the revision of corporation taxes; but there are plausible reasons for this. Perhaps the most significant feature of the report as a whole is the frank recognition of the intimate relation existing in Ohio between tax rate limitation and local debts. Heretofore officials have been somewhat prone to minimize this relation. It augurs well for Ohio that the committee has set this matter in its true light.

O. C. LOCKHART.

Hearings before the Select Committee on the Budget of the House of Representatives on the *Establishment of a National Budget System* have been printed in a volume of 788 pages (Washington, 1919). Among the witnesses who gave extended testimony are W. F. Willoughby (pp. 47-102); John T. Pratt, president of the National Budget Committee (pp. 102-148); Samuel M. Lindsay, vice chairman of the National Budget Committee (pp. 148-175); Charles W. Collins (pp. 199-232); Walker W. Warwick, Comptroller of the Treasury (pp. 232-257); Charles A. Beard (pp. 307-316); Ex-President Taft (pp. 464-485); Secretary Glass (pp. 486-514); Frederick A. Cleveland (pp. 514-558); William H. Allen (pp. 558-586).

The Bureau of Internal Revenue has issued a bulletin on *Average Percentages of Pre-War Income to Pre-War Invested Capital of General Classes of Corporations*, grouped as to trades or businesses, as provided for in section 311 (c) (2), Revenue Act of 1918 (pp. 13).

The same bureau has prepared a compilation of *Statistics of Income* based on the returns for 1917 (Washington, pp. 133).

The *Annual Report of the Secretary of the Treasury on the State of the Finances* for the fiscal year ended June 30, 1919 (Washington, pp. 719), contains a large amount of documentary material in regard to the several bond issues.

Bulletin No. 186 of the Special Agents Series, published by the Bureau of Foreign and Domestic Commerce, relates to *Chinese Currency and Finance* (Washington, 1919, pp. 57).

The November, 1919, issue of *State Finances*, published by the state comptroller of New York, is entitled *Income Tax Explained*.

The Wisconsin Tax Commission has prepared a fourth edition of *The Wisconsin Income Tax Law with Explanatory Notes* (Madison, 1919, pp. 82).

Insurance and Pensions

The Children's Bureau of the United States Department of Labor has issued *Maternity Benefit Systems in Certain Foreign Countries*, by Henry J. Harris (Washington, 1919, pp. 206), which has a bibliography of 12 pages; also *Laws relating to "Mothers' Pensions" in the United States, Canada, Denmark, and New Zealand*, by Laura A. Thompson (pp. 316), which has a bibliography of 40 pages.

The subject of *Marine Insurance* is considered in Hearings before the Subcommittee on the Merchant Marine and Fisheries, in four parts (Washington, 1919, pp. 354).

The Industrial Accident Commission of California has compiled *Workmen's Compensation, Insurance and Safety Laws of the State of California*, effective July 22, 1919 (San Francisco, pp. 71).

Annual reports have been received as follows:

Second Report of the Oregon Industrial Accident Commission (Salem, 1919, pp. 127).

Biennial Report of the Nevada Industrial Commission reviewing the administration of the Nevada industrial insurance act, 1916-1918 (Carson City, 1919, pp. 40).

Statistics

Birth Statistics for the Birth Registration Area of the United States, 1917, Third Annual Report (Washington, Bureau of the Census, 1919, pp. 299), contains a wealth of material illustrating birth rates for dif-

ferent states in the registration area and the relation between birth rate and rate of infant mortality and between birth rate and the racial composition of the population. The population in the birth registration area in 1917 is estimated at 55 millions or approximately 53 per cent of the total estimated population in that year. Nine states during the year were added to the registration area. The birth rate for the registration area considered is 24.6 per thousand population. The mortality rate of infants under one year of age was 94 per thousand. The excess of births over deaths was 0.5 per thousand, representing an increase in population of a little over 1 per cent. The first and second children form 50 per cent of all children born to native white mothers, and only 39 per cent of children born to foreign born mothers, showing that the fecundity of foreign mothers is greater than of native born mothers. A table is given comparing the birth rate of the United States in 1917 with that of more than 25 other countries. The number of births per thousand deaths in the United States was 174; in England and Wales (1916), 154; in France (1912), 108; in the German Empire (1913), 183.

Mortality Statistics, 1917 (Washington, 1919, pp. 597) is the eighteenth volume on mortality statistics prepared by the Bureau of the Census. It covers 72.7 of the total estimated population. The death rate in 1917 for the area considered was 14.2 per thousand of population.

The Decennial Census, 1915, of Massachusetts, taken under the direction of Charles F. Gettemy, director of the Bureau of Statistics (Boston, 1918, pp. 749) has appeared in bound form. The five parts deal with: General introduction and population tables; Composition and characteristics of the population; Nativity, color, or race, illiteracy, political condition, ages, and conjugal condition; Occupations; and The census of fisheries and commerce; and Appendices.

The Twenty-seventh Annual Report of the Maryland State Board of Labor and Statistics, 1918 (Baltimore, 1919, pp. 306) contains a section on War and Other Statistics (pp. 279-299) in which are tables and explanations of the world war debt, cost of the war, battle deaths, physical condition of soldiers of Maryland, church statistics, rate of deaths from influenza and pneumonia in 1918, and cost of living.